

## Message Text

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43

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 AF-06

OPIC-06 OMB-01 SAM-01 EB-07 COME-00 TRSE-00 STR-04

FRB-01 XMB-04 /099 W

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R 061056Z SEP 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 4155

INFO USMISSION EC BRUSSELS 1052

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

OECD PARIS

AMEMBASSY ROME

USMISSION NATO

UNCLAS LISBON 5218

E.O. 11652: N/A

TAGS: EFIN, PO

SUBJECT: FINANCIAL DEVELOPMENTS

1. IN AUGUST 27 PRESS CONFERENCE FINANCE MINISTER JOSE JOAGUIM FRAGOSO TOUCHED ON BALANCE OF PAYMENTS SITUATION. HE EMPHASIZED THAT GOP HAS RESPECTED ALL ITS INTERNATIONAL COMMITMENTS. COUNTRY HAS PAID OUT \$200 MILLION ALONE TO REPAY INTERNATIONAL CREDITS THAT WERE NOT RENEWED "FOR POLITICAL AND PARALLEL REASONS"; CURRENT FOREIGN EXCHANGE RESERVES ARE ON ORDER OF \$800 MILLION. HE DENIED EXISTENCE OF ANY CENTRALLY COORDINATED ECONOMIC BOYCOTT, BUT SAID THAT IN "CAPITALIST LOGIC" VARIOUS PRETEXTS EXIST FOR CANCELLING ORDERS OR TOURIST RESERVATIONS. WHILE DENYING THAT "ONE GRAM" OF COUNTRY'S GOLD RESERVES HAS BEEN TOUCHED, FRAGOSO SAID HIS MINISTRY HAS NO "MYSTICAL" FEELING ABOUT GOLD SALES.

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2. BANK OF PORTUGAL (BOP) GOVERNOR DR. COSTA LEAL TOOK PART IN SAME

CONFERENCE. HE SAID QUESTION OF FOREIGN EXCHANGE RESERVES WILL DEPEND ON OUTCOME OF MEETINGS WITH IMF. ALTHOUGH HE ACKNOWLEDGED EXISTENCE OF ESCUDO BLACK MARKET, COSTA LEAL DENIED ANY CURRENT PLANS FOR DEVALUATION, SAYING OTHER METHODS, SUCH AS VARIABLE OR FLOATING RATES, COULD BE USED FIRST.

3. INSTITUTE FOR ASSISTANCE TO SMALL AND MEDIUM ENTERPRISES (PME) RECENTLY ANNOUNCED THAT SINCE JUNE 1974 IT HAS LOANED \$130 MILLION TO SOME 4,000 FIRMS--29 PERCENT OF THOSE FIRMS WITH BETWEEN 5 AND 300 EMPLOYEES THAT IT IS AUTHORIZED TO ASSIST. INSTITUTES ALSO NOTED IT MET ONLY 10 PERCENT OF REQUESTS FOR ASSISTANCE. 88 PERCENT OF LOANS MADE THROUGH REDISCOUNTING, WITH REMAINDER THROUGH GUARANTEES. INSTITUTE IS CURRENTLY STUDYING FUSION OR RESTRUCTURING OF 231 FIRMS IN SEVEN SECTORS--HEAVY MACHINERY, TEXTILES, TANNING, SHOES, RUBBER, CHEMICALS, AND WOOD/CORK.

4. BANK OF PORTUGAL (BOP) HAS FURTHER TIGHTENED ITS INSTALLMENT CREDIT REGULATIONS, ESPECIALLY TO ENSURE THAT INSTALLMENT PAPER IS NOT DIRECTLY OR INDIRECTLY DISCOUNTED BY BOP, OR USED AS COLLATERAL FOR ANY LOANS. CARLUCCI

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## Message Attributes

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